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United Nations Relief and Works Agency for Palestine Refugees in the Near East

Report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

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Summary

The present report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East provides a description of the activities of the Group in 2015 and a detailed outline of the current financial situation of the Agency. The Working Group unanimously adopted the report at its meeting on 17 September 2015. As in previous reports of the Group, the present report closes with concluding remarks addressed to all Member States.

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I. Introduction

1. The Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly under resolution 2656 (XXV) to study all aspects of the financing of the Agency. In that resolution, the Assembly requested the Working Group to assist the Secretary-General and the Commissioner-General of UNRWA in reaching solutions to problems posed by the Agency's financial crisis. UNRWA was established under Assembly resolution 302 (IV), and its mandate was renewed most recently by the Assembly in resolution 68/76.

2. The Working Group consists of the representatives of France, Ghana, Japan, Lebanon, Norway, Trinidad and Tobago, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America. It is currently chaired by Y. Halit Çevik (Turkey).

3. At its twenty-fifth session and all sessions that followed, the General Assembly considered the reports submitted to it by the Working Group (in 2014, A/69/391) and adopted resolutions, taking note with appreciation of the efforts of the Working Group (resolution 69/88).

II. Activities of the Working Group

4. The first regular session of the Working Group, chaired by the Permanent Representative of Turkey, Y. Halit Çevik, was convened on 1 July 2015. At the session, the Director of the UNRWA Representative Office in New York provided an update on the Agency's grave financial situation and the situation in the UNRWA fields of operations. The Deputy Director of the Middle East and West Asia Division of the Department of Political Affairs updated the Working Group on the latest political developments in the region. The Working Group then met at the expert level at its second, third and fourth sessions, on 15 July, 6 August and 2 September, respectively, and adopted the present report on 17 September, in the presence of the Permanent Representative of Turkey, the Director of the UNRWA Office in New York and the Deputy Director of the Middle East and West Asia Division.

III. Financial situation of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

5. At a time of crises taking place throughout the Middle East, UNRWA remains a pillar of stability. However, the stabilizing role and core services of UNRWA have been threatened by inadequate resources. Up to mid-2015, UNRWA projected that its most basic activities mandated by the General Assembly — providing education, primary health care and relief for the most vulnerable — would not be fully implemented beyond September without an influx of urgently needed resources. UNRWA was confronted with its most critical financial situation in recent decades. With an expected shortfall of more than $100 million in its core budget as of July 2015, the challenges facing UNRWA were immense. With stringent austerity measures already in place, the Agency planned to continue until the end of 2015 services deemed life-saving or essential for the well-being and safety of Palestine refugees (health programmes, relief and social services, sanitation services and

emergency assistance). However, this meant that the resources for the UNRWA school system, which serves half a million Palestine refugee children, would be inadequate. In the absence of additional funding to fully bridge the $101 million deficit, UNRWA was forced to announce the planned suspension of all its schools as of August 2015, putting the education of more than 500,000 children at risk for an indefinite period. To address this crisis, the Agency engaged intensively with stakeholders to mobilize the necessary resources. Following an extraordinary meeting of the UNRWA Advisory Commission on 26 July, the Secretary-General submitted to the General Assembly a special report of the Commissioner-General of UNRWA on the financial crisis facing the Agency (see A/70/272). For its part, the Agency took exceptional measures to reduce expenditure to bridge a part of the shortfall and demonstrate its commitment to maximizing efficiencies. Measures included increasing the ceiling for the maximum number of children in UNRWA classrooms to 50, a measure that threatens the quality of education for more than 500,000 Palestinian children; reducing the number of international personnel financed by the Agency's core budget; and imposing a hiring freeze for all jobs not critical to the delivery of core services. Refugee communities protested against these actions, and tensions rose in some camps. Stakeholder responses were robust, as the Secretary-General and host and donor Governments appealed for support to UNRWA. By late August, some $80 million in additional funding had been pledged, with indications of a further $20 million from a major donor to close the deficit for 2015 in its entirety. The Working Group noted with appreciation that approximately half of the additional pledges had been made by Arab donors, signalling a commitment to help to sustain UNRWA. Notwithstanding the resolution its financial crisis in 2015, the challenges loom large in the period ahead. Very difficult decisions will have to be taken to address the recurring UNRWA deficits, while a change in the approach to the Agency's finances is required, including robust action by Member States, the implementation of innovative funding and a widening of the donor base for UNRWA. Nothing less than the sustainability of the Agency's operations is at stake.

6. The Agency's cash and in-kind portions of the General Fund for the biennium 2014-2015 amount to $1.4 billion, of which the cash component for its programme requirements is $729.3 million for 2014 and $741.5 million for 2015. In addition, the programme budget for 2014 and 2015 includes in-kind assistance amounting to $2.3 million for each year of the biennium. The cash budget of $741.5 million for 2015 includes funding of $29.9 million from United Nations assessed contributions to cover the cost of 150 international posts funded from the regular budget for the biennium 2014-2015. At the end of August 2015, the forecast end-of-year cash position for the General Fund was a deficit of $24.8 million, effectively balanced as a result of the additional pledges referenced in paragraph 5 of the present report. With great concern, the Working Group notes that, unless overcome, the aforementioned expected cash deficit will mean that the Agency will be unable to meet all of its financial obligations by the end of October 2015. This includes the inability to pay salaries to its 30,000 staff members along with other measures that may severely limit service delivery to a population of more than 5 million registered Palestine refugees.

7. The Agency provided details to the Working Group on the extent and nature of the funding crisis that it faced and the ongoing efforts that it was making to address the issue. Such efforts include the implementation of its 2012-2015 resource

mobilization strategy and the development of a new resource mobilization strategy for 2016-2021, the 2016-2021 medium-term strategy, ongoing reforms and actions taken by management, as described in paragraph 5 of the present report. In addition, management continues to implement austerity measures that have delayed capital expenditure and reduced travel costs and the costs of consultancies funded through the Agency's core budget.

8. The Working Group appreciates the efforts made by UNRWA and urges the Agency to continue to undertake reforms and other steps to mitigate its chronic budget shortfalls. It also urges the General Assembly to explore ways to further support the Agency. UNRWA expressed its deep gratitude to its donors for their generous contributions, in particular given the financial challenges worldwide. In 2014, donors came forward with substantial contributions that allowed UNRWA to close its financial gap. UNRWA was able to fully pay salaries for December 2014 thanks to the receipt of an additional €6.65 million from the European Union, $10 million from the United States of America and CHF 3.3 million from Switzerland, as well as advance funding for programme support costs of $3.9 million from Saudi Arabia, austerity measures and the suspension of payments to creditors. As a result, UNRWA was able to fully pay essential service delivery costs, which consist mainly of the salaries of its teachers, doctors, nurses and social workers. In 2015, UNRWA operational costs continue to rise in response to the increasing needs of a growing refugee population and other cost factors, including the effects of exchange rates, decreases in previously expected donor contributions and salary adjustments comparable to those granted in the public sector in the host countries in which UNRWA operates. The high proportion of fixed essential service delivery costs within the Agency's operational budget has made it difficult to reduce spending to meet short-term cash-flow requirements and medium-term funding shortfalls. UNRWA relies almost entirely on voluntary contributions to fulfil its mandate and meet the basic needs of a growing and increasingly marginalized Palestine refugee population, now numbering 5.2 million persons registered with the Agency. Higher and more predictable income remains essential to enabling the Agency to continue to provide services. Increased funding is required, especially during the first quarter of the year, when the inflow of donor contributions is traditionally low while the Agency's costs are structurally high and fixed. The Agency has renewed its appeals to donors to make additional efforts to fully fund the General Fund budget, recalling that UNRWA represents the principal source of basic services for the Palestine refugee population. The Working Group noted that, although financial and budgetary challenges were felt across the United Nations system, the continuing commitment of the international community to Palestine refugees remained essential in the absence of a just and durable solution to their plight and in the light of the continuing conflicts and rising instability in the region, which had had devastating economic and social effects and portended even further destabilization if not urgently alleviated.

9. The Agency informed the Working Group that the shortfall in funding undermined the quality of UNRWA services and threatened the stability of the region. It also jeopardized the Agency's ability to fully implement major management reforms, begun in 2006, and subsequent programme reforms, in the areas of health, education and social services in particular. Building on the reform of management structures, strategic planning and reporting measures, the focus of reform efforts over recent years has been programmatic. The Agency's current

education systemic reforms have therefore established a more effective and efficient framework of policies, strategies and organizational structures, which better enable targeted and meaningful capacity development for its teachers and head teachers. In this way, the reform will lead to a transformation of classroom practices so that the development of the skills, knowledge and competencies of the 500,000 UNRWA students can be better supported. This will enable Palestine refugee children to live fuller and more productive lives as individuals and to make a positive contribution to local and global society, in line with the Agency's core human development objectives. Embedding and sustaining the reforms will further increase efficiency and reduce the costs that must be absorbed by UNRWA when children repeat school years, which amount to an estimated $10 million each year. Education is also the programmatic area most affected by the financial crisis. The Agency has had to take measures to limit further cost increases and has done so through a recruitment freeze for new teachers and an increase in the maximum number of children per classroom. Both these measures may lead to a decrease in the quality of education services. This particularly affects the education sector in Gaza, where 27,000 qualified applicants had applied for 200 posts.

10. To improve the effectiveness of the Agency's provision of primary health care, and in response to emerging challenges such as growing prevalence of non-communicable diseases, UNRWA adopted a health reform package based on a family health team approach in 2011. The family health team model provides comprehensive and holistic primary health care for the entire family, emphasizing long-term provider-patient and provider-family relationships. The reform is expanding and covered approximately 100 of 137 health centres as of December 2014. The package of health reforms is helping to contain growth in some health-related costs by improving the quality and effectiveness of primary care and, as a result, containing costly referrals for hospital treatment and rationalizing the quantity of drug prescriptions. UNRWA is also taking proactive steps to address poverty among Palestine refugees. Its Department of Relief and Social Services has been focusing on integrating components of its programmes with a focus on improving community stabilization. Material and social support continue to be provided to the most marginalized Palestine refugees though the Social Safety Net Programme. In addition, by working with young people as catalysts for positive change in the community, the Department seeks to identify opportunities for young refugees to become productive members of their community and thus to mitigate intergenerational poverty cycles.

11. As a result of cumulative deficits, a record shortfall in funding and the consequent critical and unsustainable financial challenges facing the Agency, it is imperative to:

(a) Increase the funds received from existing donors, emerging donors and members of the League of Arab States in order to maintain the requisite services provided under the Agency's General Fund while simultaneously expanding the donor base and increasing funding to projects and emergency appeals, including through partnerships with United Nations agencies, international organizations, non-governmental organizations, the private sector and foundations;

(b) Restore the Agency's financial health by ensuring predictable and sustainable funding at appropriate levels;

(c) Re-establish working capital reserves, which were completely depleted in 2014, forcing UNRWA to operate without reserves;

(d) Advance efforts to contain costs, promote cost-efficiency, improve effectiveness and strengthen partnerships to have the greatest impact on the lives of Palestine refugees with the resources provided;

(e) Communicate more strategically with external stakeholders by developing a stronger single corporate identity and making use of innovative technology;

(f) Enhance resource mobilization and strategic communications to seize opportunities more systematically and conduct outreach and appeals more proactively and creatively.

12. UNRWA updated the Working Group on some of the steps that it was taking to improve its strategic approach to resource mobilization in line with resolution 65/272 and subsequent resolutions on the same subject, in which the General Assembly had urged the Commissioner-General to continue efforts to sustain and increase support by traditional donors and to enhance income from non-traditional donors. One of the Agency's priorities is to endeavour to enhance its links with Member States interested in enhancing their financial support to UNRWA. The Commissioner-General appointed a senior adviser to support his work in this arena. These new steps, which build on efforts that began a few years ago, have resulted in increased contributions from emerging markets, with generous contributions from Azerbaijan, Brazil, Colombia, India, Malaysia, Mexico, Namibia and Pakistan, among others. Arab partners, in particular Kuwait, Saudi Arabia (which was the third largest donor overall in 2014) and the United Arab Emirates, are now providing an important share of the Agency's resources. The UNRWA Partnerships Unit of the External Relations and Communications Department also made progress in developing key alliances with private donors. It has generated $26 million in revenue from the private sector, with significant contributions from Islamic Relief USA in 2014. That represents a four-fold increase in such donations over a period of three years, supplemented by in-kind donations worth $12 million. Most of these funds supported the Agency's emergency response in Gaza and, to a lesser extent, in the Syrian Arab Republic. The Unit is also overseeing the work of seven decentralized fundraising operations and coordinating events involving the first UNRWA Regional Youth Ambassador, Mohammed Assaf. In terms of core funding, the Agency's five largest donors remain the United States, the European Union, the United Kingdom, Sweden and Norway. These efforts notwithstanding, the Agency's shortfall continues to worsen.

13. Given its cost structure, unpredictable funding environment and reliance on voluntary contributions, UNRWA estimates that, to be in line with common best practices in public and private sectors, it would be prudent to maintain the equivalent of at least three months' cash requirement as an adequate working capital balance. At the end of December 2014, the UNRWA General Fund cash balance was $3 million, with a monthly cash outflow of $57 million, comprising $47 million in staff costs and $10 million in non-staff costs. This means that UNRWA continues to lack working capital. An injection of $171 million in working capital would be required to create a minimum safety cushion, given that costs have risen faster than the rate of growth in donor income. The relative deficiency in necessary cash to meet operating requirements has manifested itself in various ways. First, the Agency's working capital has now virtually disappeared. Second, each year for the

past three years, UNRWA has had to temporarily suspend creditor payments due to a shortage of cash. At the end of 2014, $7.5 million of creditor payments were suspended, to be paid in early 2015. Lastly, each year for the past five years, UNRWA has had to source an advance from the following year, which directly increases the shortfall every year.

14. The capital requirements of UNRWA programmes, in addition to expenditure relating to environmental health improvements and shelter rehabilitation, are contained mainly in the Agency's project budget. These requirements include the construction and expansion of schools, health centres and water and sanitation facilities, and camp improvement activities in general, in coordination with the relevant authorities. The project budget for the biennium 2014-2015 is $485.9 million; for 2014 the projects budget is $247.4 million, of which $55.9 million had been pledged by donors as of the end of December 2014. The funds received amount to $26.8 million, leaving a deficit of $191.5 million in terms of pledges and $220.6 million in terms of contributions received. As for the 2015 projects budget, of the total requirements of $238.4 million, $73.4 million had been pledged by donors as of the end of August 2015. The funds received amount to $18.5 million, leaving a deficit of $165.5 million in terms of pledges and $220.4 million in terms of contributions received. The Working Group is concerned about the inadequacy of project funding in view of the Agency's urgent need to construct new facilities and upgrade existing ones in order to enable it to meet the needs of a growing refugee population, halt the deterioration of old installations and deliver high-quality services to Palestine refugees.

15. The Agency expressed its concern to the Working Group regarding unfunded severance payments to staff, which has been audited at $524.5 million as at 31 December 2014 (an increase of $32.8 million compared with $491.7 million the previous year), given current costs and UNRWA staff regulations and rules. If UNRWA is required to show greater flexibility in the efficient use of personnel, sufficient funds should be immediately available to effect severance payments. The Agency recalled that the workforce reduction of non-staff personnel must be carried out in accordance with local labour law, which might entail obligations with respect to severance and related payments. UNRWA, in the context of resolution 65/272, which pertains to the strengthening of the Agency's management capacity, therefore wishes to bring to the attention of the General Assembly the need to identify potential sources of funding that could be made available to finance UNRWA severance payments on a standby basis and if required. In addition, in response to the unprecedented and critical funding gap affecting the General Fund in 2015, the Agency has established a time-bound early voluntary separation mechanism, beyond the early voluntary retirement system, to provide an opportunity to staff who voluntarily choose to separate from the Agency. Early voluntary separation is one in a series of management actions, including the broad recruitment freeze introduced by management in mid-2015 with exceptions requiring Executive Office approval, to ensure the optimal use of existing funds to maintain vital services.

16. As at 31 December 2014, the total amount of value added tax due to the Agency with respect to services and goods procured for the West Bank and Gaza stood at some $96.8 million, the largest amount ever owed by the Palestinian Authority to the Agency. In late 2013, following discussions with relevant Palestinian authorities, UNRWA obtained an exemption of value added tax on services and goods procured, provided that specific conditions were met. Since then,

virtually all new contracts from December 2013 have been exempt from value added tax. As of the end of December 2014, the value added tax paid in West Bank and Gaza was 62 per cent below that paid a year earlier, due entirely to the run-down of legacy commercial contracts.

17. The Working Group was also informed that the Agency continued to be concerned about the Agency's extra staffing, transit and logistical costs resulting from Israeli closures and security procedures in Gaza, which amounted to more than $7.5 million in 2014. This is equivalent to the cost of building four UNRWA schools in Gaza or distributing food to the current caseload of 868,000 beneficiaries for five weeks. After discovering a tunnel entering its borders from Gaza in October 2013, the Government of Israel imposed additional security procedures and access restrictions, such as daily monitoring of cement factories in Gaza by international staff, further increasing the financial burden on the Agency throughout 2014 and 2015. Fulfilling the requirement to monitor cement factories on a daily basis entailed hiring an international engineer to oversee and ensure the integrity of the transportation of the cement, in order to ensure that the UNRWA construction programme in the Gaza Strip could continue. Israel also continued to impose transit charges on shipments entering the Gaza Strip, obliging UNRWA to pay $2.2 million in 2014. In the Agency's view, the charges were a direct tax from which it ought to be exempt under the Convention on the Privileges and Immunities of the United Nations of 1946. In addition, for substantial periods, the level of throughput of goods for the Agency was not in line with the country's obligations under the Comay-Michelmore Agreement of 1967 and international humanitarian law. In this regard, the Working Group calls upon all parties concerned to facilitate the mission of UNRWA and to minimize the cost of providing such services.

18. At the commencement of the military escalation between July and August 2014, UNRWA declared an emergency in all five areas of the Gaza Strip. As presented in the Agency's emergency appeal for the occupied Palestinian territories for 2015, to respond to the urgent and pressing humanitarian needs of the people of Gaza, the Agency is seeking $366.6 million for its 2015 emergency operations in Gaza, including $127 million for emergency shelter repairs and collective centre management, $105.6 million for emergency food assistance and $68.6 million for emergency cash-for-work. Moreover, the overall funds requested by the Agency to enable it to provide emergency shelter amount to $720 million. However, only $227 million had been pledged to that end as at 31 August 2015, leaving a shortfall of more than $493 million. Owing to the large-scale nature of the conflict in the second trimester of 2014, at the height of the conflict, UNRWA operated 90 emergency shelters for almost 300,000 internally displaced civilian persons. A transition plan for internally displaced persons has enabled school buildings to slowly return to functioning as education facilities and provided a positive relocation option for affected families. The Working Group takes note of the ongoing severe implications of the devastating conflict for the work of UNRWA in Gaza and the Agency's continued need for enhanced support from donors as Gaza recovers from the conflict. It also encourages donors to disburse their pledges made in Cairo in October 2014 and to consider making new contributions to UNRWA in Gaza.

19. To obtain approval to import construction materials into Gaza, UNRWA must submit detailed proposals, including designs and bills of quantity, to the Israeli Coordinator of Government Activities in the Territories. The Working Group takes

note of the fact that, after the conflict of 2014, all the Agency's construction projects — some of which had been pending for years — were approved, although the import of materials remains slow and unpredictable. The Working Group also takes note of the fact that the United Nations, the Government of Israel and the Palestinian Authority agreed in October 2014 to establish the Gaza Reconstruction Mechanism, which is designed to facilitate the entry into Gaza of construction materials for rebuilding. The Mechanism facilitated the entry of 5,847 truckloads of construction materials between January and July 2015. The total value of approved UNRWA infrastructure projects, which are at various stages, from design to completion, and excluding post-2014 conflict shelter repair and reconstruction under the temporary Mechanism, is $195.9 million. The UNRWA construction projects include schools, health centres and sewage, drainage and water supply systems, as well as a housing project in Rafah. The projects are crucial investments in the infrastructure of the coastal enclave and generate much-needed employment. Employment is created at the construction site through contracted construction works and the construction material supply chain. The Working Group takes note of the fact that, as at 31 August 2015, the access regime in place before the mid-2014 hostilities remained unchanged. However, the Agency experienced challenges with regard to the process of bringing its regular and pre-approved construction materials to Gaza for UNRWA-led construction material projects. As of August 2015, not a single home destroyed during the conflict of mid-2014 had been rebuilt. UNRWA noted signs of improvement in reconstruction, as almost 700 families had been cleared to proceed with the reconstruction of their homes and over 160, including 53 Palestine refugee families, had begun rebuilding. In this context, the Working Group deplores that, according to the World Bank, only 27.5 per cent of the urgently needed $3.5 billion in donations pledged for the reconstruction of Gaza at the conference held in Cairo in October 2014 had been disbursed as at 15 May 2015. Only $227 million had been pledged for the UNRWA emergency shelter programme, leaving a shortfall of $493 million as of August 2015.

20. The Working Group reiterates its concern about the lack of progress in lifting the remaining restrictions and urges Israel to expedite its efforts to ease restrictions, increase the amount of goods entering Gaza and authorize exports from Gaza to the outside world. The Working Group takes note of the resumption of agricultural exports, albeit in limited quantities, from Gaza in March 2015. The Working Group also takes note of the most recent released figure on the unemployment rate, which stood at 41.5 per cent in the second quarter of 2015. The Working Group once again stresses that progress is needed to address the overall economic and humanitarian situation in Gaza and underscores the importance of the full implementation of Security Council resolutions 1850 (2008) and 1860 (2009). The average unemployment rate in 2014 was 43.9 per cent, the highest annual level ever recorded in Gaza and one of the highest worldwide. The last available survey, undertaken in 2013, shows that food insecurity in Gaza remained very high, at 57 per cent in 2013. Food insecurity is driven by high rates of poverty, which in turn is a result of unemployment. Food is available on the market, but most of it is not affordable for the vast majority of the impoverished population. While only 80,000 Palestine refugees relied on food aid in 2000, today almost 877,000 Palestine refugees receive quarterly food assistance. The Working Group recognizes the vital role played by UNRWA in providing humanitarian and development assistance in Gaza. Emphasizing the need to ensure the safe, sustained and regular flow of goods and people through the Gaza crossings and the unimpeded provision and

distribution of humanitarian assistance throughout Gaza, the Working Group highlights the fact that the import and export restrictions first imposed in 2007 increase poverty, render populations even more reliant on the Agency's services and add to the burden on its already strained resources and capacity. The Working Group recognizes that the situation in Gaza is unsustainable and that progress must be made towards the full implementation of Security Council resolution 1860 (2009).

21. UNRWA informed the Working Group that Palestine refugees continued to suffer from the effects of the policies and practices of the Government in the West Bank. Access and movement restrictions imposed by the Government of Israel continue to seriously limit the movement of people, goods and services and to increase the financial costs of UNRWA providing effective humanitarian aid to refugees. The situation has not only hampered economic development, but also contributed directly to high rates of unemployment and food insecurity for refugees. In addition, the Government's decision to withhold for a substantial period the tax revenue collected on behalf of the Palestinian Authority had a severe impact on the Authority's budget. The Authority was able to only partially pay its employees' salaries for almost four months at the beginning of 2015, and this contributed to high rates of food insecurity and undermined the coping strategies of Palestinians, including the refugees in the West Bank. The number of forcibly displaced families suffering from house demolitions or Israeli settler violence remains high, especially in Area C. In the first eight months of 2015, there were 405 incidents relating to settler violence, compared with 469 in the same period in 2014. In 2014, 34 per cent of Palestinians displaced by administrative demolitions in the West Bank were Palestine refugees. Between 1 January and 31 August 2015, 62 per cent of those displaced – or at least 320 of 519 — were Palestine refugees. Settlement expansion plans, including for areas east of Jerusalem, have caused grave concern for the Palestine refugee community, including some 2,300 Bedouin Palestine refugees who are at risk of further displacement.

22. The Working Group noted that, in December 2014, UNRWA had launched an emergency appeal for the occupied Palestinian territories for 2015 for $414.4 million, of which 88.5 per cent would cover activities in the Gaza Strip and 11.5 per cent activities in the West Bank. Some $26 million, or 58 per cent, of the funding requirements for the emergency appeal in the West Bank had been met by the end of June 2015. However, no further funding is anticipated. Given this shortfall, protection and health interventions will be prioritized to ensure that there is no major shortfall in these projects leading to service disruption. Food security interventions are likely to be significantly underfunded, and it is expected that fewer than 55 per cent of the targeted 35,000 households will receive assistance by the end of 2015. While it is calling for full funding of its emergency appeal, UNRWA has managed to stabilize its humanitarian programmes in the West Bank within the projected budget, primarily through a reform of its emergency cash-for-work programme and the introduction, in 2014, of a joint programme between the World Food Programme and UNRWA for electronic food vouchers. The partnership has led to substantial cost savings for the Agency, in particular in relation to staffing costs and operations expenditures.

23. To sustain its emergency operations in Gaza, UNRWA requires at least $275 million, most of which is needed for food assistance, emergency shelter repairs and collective centre management. As at 31 August 2015, UNRWA had received pledges totalling only $189.8 million, amounting to 46 per cent of the

occupied Palestinian territories emergency appeal target of $414 million. In response to the 2014 military escalation, UNRWA launched the Gaza flash appeal for a total of $295 million to enable UNRWA to provide assistance to those affected by hostilities. UNRWA received pledges totalling $182.9 million, or 62 per cent of the emergency appeal requirements. In January 2015, UNRWA was forced to suspend its cash assistance programme supporting repairs and providing rental subsidies to Palestine refugee families in Gaza. Over recent months, beneficiaries and refugee popular committees have held frequent demonstrations outside UNRWA relief and social services offices, protesting against the slow pace of implementation of the emergency shelter programme, and further popular unrest is possible.

24. The catastrophic conflict in the Syrian Arab Republic has exacerbated refugees' vulnerability and continues to threaten to unravel the fabric of the Palestine refugee community there. UNRWA explained to the Working Group that, since December 2012, all 12 Palestine refugee camps in the Syrian Arab Republic had been deeply affected by the conflict or its consequences. As of August 2015, some 280,000 Palestine refugees were displaced within the country and some 48,000 were in hard-to-reach areas. Furthermore, UNRWA remains deeply concerned about the humanitarian situation of the 18,000 civilians, mainly Palestine refugees, who either remain in Yarmouk or have fled to surrounding areas of Yalda, Babila and Bayt Saham following the intense fighting between armed groups and the Syrian authorities that broke out on 1 April 2015. Humanitarian access to Yarmouk in the reporting period has been highly infrequent, with only three successful distributions of aid between December and February. While UNRWA was given access and made distributions on 14 days in March, it has had no humanitarian access inside Yarmouk since 28 March 2015. However, the Agency was able to deliver aid to areas adjacent to Yarmouk in Yalda, Babila, Bayt Saham and Tadamoun on 30 occasions between 13 April and 31 August 2015, serving thousands of displaced civilians with a broad range of humanitarian assistance, although access to distribute food parcels and non-food items has been suspended by the Syrian authorities since 7 June 2015. Beginning on 18 August 2015, the Agency was permitted to establish a temporary health-care delivery point in Yalda to respond to suspected cases of typhoid and had provided treatment for 54 cases on four separate missions as at 31 August.

25. Coping mechanisms for Palestine refugees consist almost entirely of staying with host families in safer camps and gatherings, which compounds their existing vulnerabilities. The Agency stated that 95 per cent of the total population of 480,000 Palestine refugees estimated to remain in the Syrian Arab Republic required the Agency's assistance. UNRWA has sustained its programme of humanitarian assistance in the country through its 18 international and more than 3,500 area staff. Area staff are the backbone of the UNRWA response and work with courage and tenacity in situations of active conflict. As of August 2015, 14 area staff had been killed since the conflict began, and 26 were detained by the Syrian authorities or missing. UNRWA operations in the Syrian Arab Republic provide a critical programme of humanitarian assistance to Palestine refugees, whose options for refuge and relief are limited both within and outside the country. The country's economy has been seriously disrupted by instability and violence, making microfinance work there increasingly difficult and precarious. In the light of this, the microfinance programme in the Syrian Arab Republic has scaled down its operations and closed several branches. Some 45,000 Palestine refugees from the

Syrian Arab Republic are in Lebanon, although increased border restrictions have now severely restricted their entry into that country. Some 15,600 such refugees have approached UNRWA in Jordan. Palestinians, just as Syrians, have fled to Jordan to escape the escalating conflict and violence in the Syrian Arab Republic. However, unlike their Syrian counterparts, Palestinians have been barred from entering the country, and those who have managed to enter Jordan face a risk of refoulement, including as a result of lack of legal status. Eighty per cent of the Palestine refugees from the Syrian Arab Republic who are registered with UNRWA in Jordan are now vulnerable and live in precarious socioeconomic conditions. The Working Group takes note of the Security Council's presidential statement of 2 October 2013 (S/PRST/2013/15), calls upon neighbouring countries to maintain open borders for Palestine refugees fleeing the conflict in the Syrian Arab Republic and thanks those countries that are doing so. It also calls upon all parties to the conflict to respect and maintain the security, neutrality and civilian character of the camps for Palestine refugees in that country.

26. In December 2014, UNRWA launched a regional emergency appeal for the Syrian crisis for the amount of $415.4 million, as part of the overall United Nations appeal. The plan covers the requirements for activities in Jordan, Lebanon and the Syrian Arab Republic from January to December 2015. Of the total budget for 2015, $329 million was for programmes inside the Syrian Arab Republic, $63.5 million for programmes in Lebanon, $16.5 million for programmes in Jordan and $6.4 million for the regional management and emergency response outside those fields of operation. As at 31 August 2015, against the total 2015 budget requirements, UNRWA had received pledges in the amount of $154.7 million, representing 37.3 per cent of the total. The lack of funding is posing serious challenges to UNRWA humanitarian operations in the region. UNRWA has reduced the number of planned cash assistance rounds from six to three in the Syrian Arab Republic, with the possibility of further reductions unless funding is received immediately. In Lebanon, where Palestine refugees from the Syrian Arab Republic also face extremely precarious socioeconomic conditions, UNRWA suspended cash assistance for shelter for such refugees in July 2015, while cash assistance for food will have to be reduced in September 2015 unless there is additional funding. Currently, the funding gap in UNRWA has risen to a worrying 70 per cent of the amount requested in appeals. Core services are similarly strained, with the surrounding conflict introducing substantial additional costs, especially in relation to health care and education for Palestine refugees. Rising operational costs are also placing an additional burden on UNRWA emergency and core funding in the Syrian Arab Republic. The most recent available estimates are that health costs have risen by 60 per cent and education costs by 75 per cent since the beginning of the crisis. Without further contributions, there is a high risk of significantly increased deprivation among this acutely vulnerable population and a risk of further instability.

27. The Agency also provided an update to the Working Group on the situation and financial challenges that it was facing in Lebanon. The fierce conflict that lasted from May to September 2007 in the vicinity of the Nahr el-Bared refugee camp in northern Lebanon resulted in the destruction of the entire camp, leaving 27,000 people displaced and homeless. The task of rebuilding the camp and assisting the displaced was one of the largest ever undertaken by UNRWA. Many of the displaced live in temporary accommodations and are supported through rental subsidies.

While donors responded relatively generously in the past to appeals launched by UNRWA to support those who remain displaced, by the end of August 2015, the shortfall of funding for the 2015 Nahr el-Bared camp relief appeal was $3.3 million of a total projected budget for 2015 of $5.3 million. UNRWA is committed to providing assistance to displaced families until reconstruction is fully completed, provided that funding is made available by donors. Because of a continued shortfall in funding, UNRWA is engaging with communities and the leadership of the local Palestinian political factions to agree on ways to reduce service costs.

28. The total amount needed for the reconstruction of the camp is $345 million. As of August 2015, firm pledges totalled $206.3 million. The reconstruction project is divided into eight phases, or "packages". While the amount contributed to date is sufficient to cover the construction of residential and commercial units and related infrastructure for the first four packages and one third of the fifth package, in addition to five of six school buildings and a health centre within the UNRWA compound, the balance of $137 million must be raised to complete the remaining packages, or 40 per cent of the total amount required. As of August 2015, 2,119 families had received the keys to their reconstructed homes in packages 1 to 4, and 569 shop owners had been able to return to their stores. Given the currently available funding for reconstruction, 670 families are expected to return to their homes in the camp by early 2017. The Working Group encourages UNRWA to continue its comprehensive camp improvement initiative, which is intended to upgrade living conditions in the other 11 Palestine refugee camps in Lebanon, a project supported by the Government. In this context, the Working Group encourages UNRWA to continue its outreach to donors to ensure the availability of much-needed resources.

29. As is the case in other countries neighbouring the Syrian Arab Republic, Lebanon has been affected by a large influx of refugees from that country since the middle of 2012. The number of Palestine refugees from the Syrian Arab Republic in Lebanon rose from a handful in July 2012 to some 45,000 in August 2015. The influx continues to place enormous strain on UNRWA operations and poses a major challenge for the Agency, given that it is already struggling to maintain services for Palestine refugees in Lebanon. Palestine refugees from the Syrian Arab Republic fall under the mandate of UNRWA and have no access to public health, education or relief services. UNRWA provides the same services to refugees from the Syrian Arab Republic as it does to Palestine refugees established in Lebanon. Other emergency support is provided whenever possible. The most recent appeal for the period from January to December 2015 requested $63.5 million for UNRWA in Lebanon, but only $33 million had been pledged as at the date of preparation of the present report.

30. In December 2010, a socioeconomic survey of Palestine refugees in Lebanon conducted by UNRWA in partnership with the American University of Beirut revealed that two thirds of Palestine refugees in Lebanon were poor and 7 per cent extremely poor. While the Working Group welcomes the amendments to the labour and social code already agreed on by the Parliament of Lebanon in 2010, it urges the Lebanese authorities to fully implement those amendments by issuing the decrees necessary to facilitate the work permit formalities and access of Palestinian workers to the Lebanese labour market, pending a just and durable solution to the plight of Palestine refugees.

IV. Concluding remarks

31. The Working Group expresses its serious concern at the large funding gap affecting the Agency's General Fund in 2015, appreciates the efforts mobilized by the international community to successfully close the projected $101 million deficit facing the Agency and enable a continued provision of education services to some 500,000 Palestine refugees throughout 2015, and reiterates that it is, above all, the responsibility of the General Assembly and the international community to ensure that the Agency services are maintained at an acceptable level for the fulfilment of its mandate, in quantitative and qualitative terms, and that funding keeps pace with the changing needs and growth of the refugee population. It takes note of the Agency's additional measures to reduce its budget and kindly requests all Member States to explore ways to provide additional funding for the Agency's General Fund.

32. The Working Group believes that UNRWA continues to play a vital role in providing assistance and opportunities for development to Palestine refugees and in contributing to the stability and security of the region. To assist in meeting this strategic goal, adequate multinational funding, in accordance with the changing needs of the refugee community and in line with the comparable level of services provided by host authorities to their own citizens is essential, as is due consideration for developments affecting security, socioeconomic and humanitarian conditions. In this regard, the Working Group welcomes the Agency's efforts to build on the programmatic and management reforms and to pursue a comprehensive resource mobilization strategy. However, the Working Group acknowledges that the reforms in themselves will not be sufficient to solve the problems of the Agency's deficit, which also requires enhanced donor engagement. The Working Group is also concerned at the possible destabilizing impact that the shortfall may have on the region, should the Agency have to implement further unpopular austerity measures at a time when the Middle East is already facing crises of various intensity.

33. The Working Group encourages the General Assembly to keep the Agency's programme budget for the biennium 2016-2017 under review so as to ensure that the Agency is not further affected in its ability to deliver vital services to the Palestine refugees. In this regard, the Working Group calls upon the Assembly to continue to support the strengthening of the Agency's management capacity pursuant to the report of the Secretary-General on this issue of 2009 (A/65/705). The Working Group reiterates its serious concern that, if adequate resources are not provided to the Agency, both the achievements from the comprehensive reforms and the capacity of UNRWA to fully implement its mandate will be in jeopardy, with far-reaching negative consequences for the Palestine refugee community in all fields of operation.

34. The Working Group recognizes the Agency's efforts to improve its efficiency and urges the Agency to continue its management reform process in order to enhance its ability to efficiently use resources and implement change for a more effective delivery of services to its beneficiaries. The Working Group also encourages UNRWA to continue to implement its resource mobilization plan for greater financial sustainability and welcomes the development of a new strategy for 2016-2021. The Working Group urges UNRWA to explore all possibilities for partnerships in order to cut costs. The Agency's commitment to implementing its resource mobilization plan and achieving efficiencies is key to addressing its financial issues, as is the commitment of donors to maintaining their share of the burden.

35. In view of the difficult humanitarian conditions in the occupied Palestinian territories, the Working Group recognizes the essential humanitarian role played by the Agency in alleviating the hardship experienced by the refugees and in mitigating any further decline in their living conditions, in particular in times of increased instability and crisis. It urges all potential donors, whether traditional or non-traditional, to redouble their efforts to fully respond to the Agency's emergency appeal for 2015 and to the appeal for funds for reconstruction needs in Gaza resulting from the hostilities of mid-2014.

36. The Working Group reiterates its concern about the continued tight restrictions on the movement of UNRWA staff and humanitarian goods into and out of the occupied Palestinian territories, between Gaza and the West Bank and within the West Bank. It calls upon the Government of Israel to grant the Agency free and unfettered access and underlines the need to further simplify the approval process by which the Agency transports humanitarian materials into Gaza and to facilitate this in a timely manner. The Working Group supports the further opening of Gaza crossings to allow for an unimpeded flow of humanitarian aid, commercial goods and persons to and from Gaza, in line with Security Council resolution 1860 (2009).

37. The Working Group commends the Commissioner-General and all the Agency's staff for their tireless efforts to maintain the regular and emergency services of the Agency under very difficult operational circumstances. The Working Group deplores the deaths of 14 UNRWA staff in the Syrian Arab Republic since the beginning of the conflict and the killing of 11 personnel in Gaza during the hostilities of mid-2014. It also commends the Commissioner-General for the Agency's fundraising efforts and his commitment to building relations with both traditional and non-traditional donors to obtain the funding that UNRWA needs and to developing a relationship of trust and transparency with host authorities and donors. The Working Group is gratified by the increased contributions to the General Fund by a growing number of non-traditional donors. The Advisory Commission, in the recommendations of its meeting held in November 2013, urged UNRWA to sustain efforts regarding resource mobilization and increase actions to establish partnerships with other stakeholders. It also encouraged UNRWA to continue and enhance its efforts to expand its donor base and raise new resources. The Working Group welcomes the high-level conference on the theme, "UNRWA@65: sustaining human development and protecting the rights of Palestine refugees", held on 2 June 2015, and urges Member States to implement the conclusions of the special meeting of the group of supporters of UNRWA, held in 2013 in New York.

38. The Working Group calls for the early and complete fulfilment of outstanding donor pledges to UNRWA. It also takes note of the importance for the Agency's planning purposes of early payments of pledges, coupled, where possible, with multi-year funding commitments.

39. The Working Group continues to welcome the Agency's financial reforms and increased transparency, which have placed UNRWA at the forefront of the United Nations agencies implementing change. UNRWA is one of the few agencies to have introduced a rigorous closure of monthly accounts, a step forward acknowledged by the Board of Auditors.

40. The Working Group notes with concern the lack of funding for the Agency's projects, which, along with the General Fund and emergency appeals, constitute the

third portal through which the Agency receives funding. It encourages all Governments to increase their funding to all portals. In particular, the Working Group is alarmed by the inadequate funding for the reconstruction of the Nahr el-Bared camp in Lebanon, the Agency's largest project. The Working Group calls upon all donors, including countries in the Middle East, to lend their full support to the reconstruction and relief operations until the camp is rebuilt, given that a failure to do so could have serious consequences for the security of refugees and the stability of Lebanon and the region.

41. The Working Group also thanks the UNRWA staff in the Syrian Arab Republic for their efforts to maintain service delivery and UNRWA operations, despite the effects of the conflict and the great personal risks that they have taken on. The Working Group expresses serious concern about the situation of Palestine refugees in the Syrian Arab Republic. It condemns all forms of violence against this vulnerable community and encourages the international community to fund, to the greatest extent possible, the requirements laid out in the Agency's response plans to support the Palestine refugees inside and outside the Syrian Arab Republic. It calls for the sustained, regular and continuous provision of humanitarian supplies, notably food and medicine, to besieged and hard-to-reach areas, including Yarmouk. It also appeals to all parties to the conflict to preserve the neutrality of the Palestine refugee community in the country.

42. The Working Group reiterates that the humanitarian problems faced by the Palestine refugees today must be addressed as a shared international responsibility pending a just, final and comprehensive settlement of the Israeli-Palestinian conflict, including the Palestine refugee question, in accordance with international law, including relevant resolutions of the United Nations. The services provided by UNRWA provide the minimum support necessary for refugees to lead healthy and productive lives until there is a just and durable solution to their plight. A reduction in such services could have a destabilizing effect on the entire region. The Working Group expresses the hope that the international support for UNRWA embodied in the resolutions adopted each year by the General Assembly, in which the Assembly recognizes the importance of the work of the Agency, will be translated into increased financial support by a broader base of Member States in order to ensure the continuation of the work of the Agency on a sound financial basis.

43. The Working Group strongly urges all Governments to bear in mind the foregoing considerations when deciding upon the level of their contributions to UNRWA for 2015 and 2016. The Working Group once again:

(a) Urges those Governments that have not yet contributed to UNRWA, in particular through its General Fund, to do so regularly, noting with concern the measures that UNRWA is undertaking to limit its funding shortfall in 2015;

(b) Urges Governments that have made only relatively small contributions or contributions that have not kept pace with increased needs to raise the level of their support;

(c) Urges Governments that in the past have made generous contributions to the UNRWA General Fund and emergency budget to continue to do so in a timely manner and to strive to increase them;

(d) Urges Governments that in the past have made generous contributions to the UNRWA General Fund and emergency budget and have recently reduced or ceased their contributions to resume their support to the Agency;

(e) Urges Governments that traditionally have shown special interest in the welfare of the Palestine refugees, both in the region and beyond, to contribute to UNRWA or to increase their existing contributions, in particular to its General Fund;

(f) Urges all Governments of the League of Arab States to fulfil their engagement to achieve and sustain the 7.8 per cent target contribution to the core budget (General Fund) of UNRWA and acknowledges the recent increase in their overall contributions;

(g) Urges Governments to fully fund the UNRWA General Fund for the biennium 2014-2015 in order to ensure that the real value of contributions to the Agency is maintained and that donor support for emergency-related and special projects in no way decreases contributions to the General Fund;

(h) Urges donor Governments, where possible, to put in place increased multi-year funding to allow UNRWA to better plan its activities;

(i) Encourages all Member States to positively consider the report of the Secretary-General (A/67/365) and all resolutions relating to the financing of UNRWA with a view to addressing recurring budget deficits and sufficiently supporting the Agency's vital work;

(j) Urges all Governments to recognize that UNRWA has undertaken significant reforms and will continue to identify and implement cost-containing measures wherever possible without sacrificing the quality of its core services;

(k) Highlights the need to identify potential sources of funding to meet the severance payment obligations of UNRWA.